Supplemental Reporting Document
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November 2005 Investment Committee Meeting
(September 2005 Reporting Period)

Semi-Annual and Quarterly Reports

CalPERS
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November 14, 2005

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Semi-Annual Report - Wilshire

II. PROGRAM: Alternative Investment Management (AIM) Program

III. RECOMMENDATION: Consent

IV. ANALYSIS:

Background

At the August 1997 meeting, the Investment Committee requested that a consultant be retained to provide an independent analysis of the performance of the AIM Program and its consultants. Wilshire Associates was chosen to prepare the semi-annual performance reports. The report has been reviewed by the Performance Monitoring Unit.

Wilshire's report for the period from the Program's inception (1990) through June 30, 2005 is provided in the Wilshire AIM Market Review and Performance Analysis Report (Attachment 1).

V. STRATEGIC PLAN:

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

Attached is the performance report prepared by Wilshire Associates for the AIM Program from its inception (1990) through June 30, 2005.

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WILSHIRE CONSULTING

ATTACHMENT 1

Alternative Investment Management (AIM)
Market Review & Performance Analysis
For the period ended June 30, 2005

Introduction

The purpose of this report is to discuss the market environment for alternative investments and to compare the performance of CalPERS' AIM Program versus the market. This report is divided into three sections:

1. Performance: The first section lists the June 30, 2005 market values and the performance since inception of the different sectors in the AIM Program.
2. Universe Comparison: The second section compares the performance of AIM's buyout, mezzanine, and venture capital investments to their respective universes on a vintage year basis.
3. Market Environment: The third section will discuss the general market environment for buyouts, venture capital, as well as distressed and mezzanine debt, and the overall European private equity market.

The investment profile of CalPERS' AIM Program ("the Program") is shown in Exhibit I below. The majority of the Program's assets are invested in buyout funds (corporate restructuring), investment vehicles, and venture capital.

Exhibit I
AIM Program Investment Profile
As a Percentage of Active & Exited Commitments[1]

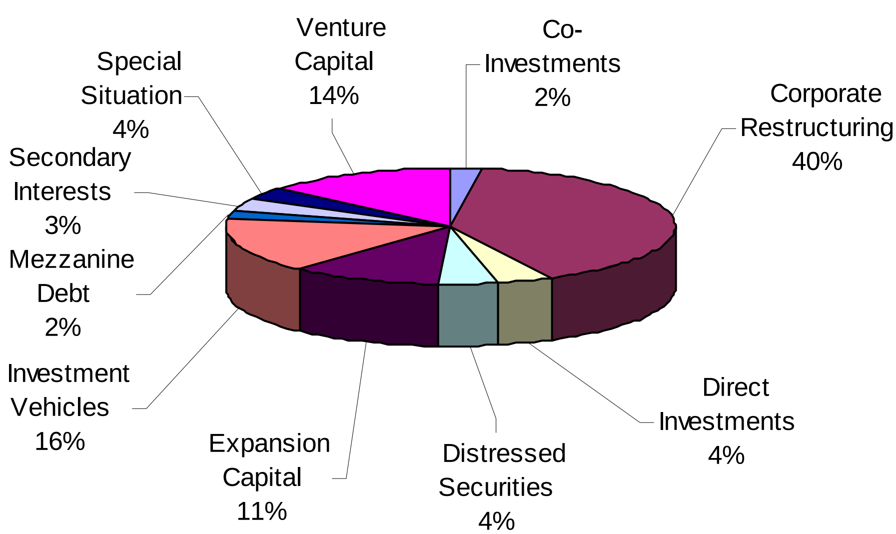

Exhibit II displays the performance of CalPERS' AIM Program.

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[1] Investment Vehicles include California Emerging Ventures I, California Emerging Ventures II, California Emerging Ventures III, California Initiative, and PCG Corporate Partners Program.

Exhibit II
AIM Program Summary

Investment Category	Active Commitments ($mil)[2]	IRR 6/30/2005[3]
Co-Investments	$524.7	-0.3%
Corporate Restructuring	9,719.8	15.5
Direct Investments	1,029.7	21.3
Distressed Securities	1,040.0	23.0
Expansion Capital	2,608.5	2.3
Investment Vehicles[4]	3,764.9	-1.9
Mezzanine Debt	448.7	0.5
Secondary Interests	837.3	18.8
Special Situations	880.8	6.4
Venture Capital	3,305.8	8.1
Total Commitments	$24,160.2	11.5%

- As of June 30, 2005 the AIM Program had total commitments of $25.9 billion and active commitments of $24.2 billion.
- As of June 30, 2005, the AIM Program has generated a net internal rate of return ("IRR") of 11.5%. The inception date was March 1990. As of June 30, 2005, the ten-year rolling average return for the CalPERS Wilshire 2500 Index was 9.8%. However, the AIM program has an average age of 3.8 years, therefore the majority of the portfolio is still in the early stage of its investment life. To address the young age of the AIM portfolio, CalPERS adopted a short-term benchmark. The benchmark measures performance of partnerships in the first five years of life against Venture Economics' universe data. As of June 30, 2005, the AIM Program's young funds produced an IRR of 13.4%, which ranks above the Custom Venture Economics Young Fund Universe median return of 1.0%[5]. Analysis of alternative private equity benchmarks indicates that the Custom Venture Economics Young Fund Universe is a more representative benchmark for the AIM Program, as it compares the Program's young funds to a similar universe.
- The performance of the Program's younger funds is affected by the "J-curve." The "J-curve" references the typical pattern of investment returns exhibited by private investments. This occurs because managers' investments are carried at cost until there is a tangible basis for changing an investment's valuation.
- The Program's buyout funds represent the single largest investment category in which the Program is invested. The buyout investments ranked very favorably versus the buyout universe provided by Venture Economics, outperforming the universe median during almost all vintage years. Through June 30, 2005 the buyout funds yielded a return of 12.5%. A more detailed universe comparison is provided on Page 4 of this report.

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[2] Includes all active commitments (in $ millions) as of June 30, 2005.
[3] IRRs are provided by State Street PrivateEdge. The inception date for the AIM program is March 1990, but investment categories may have different inception dates.
[4] Investment vehicles include California Emerging Ventures, California Emerging Ventures II, California Emerging Ventures III, California Initiative, and Corporate Partners Program.
[5] The Venture Economics young fund universe information is preliminary. Venture Economics releases preliminary information to Wilshire and CalPERS when its database is at least 65% populated.

- Venture capital showed a positive IRR of 8.1% as of June 30, 2005. As shown on page 5, the median IRR with the exception of 1998 and 2002 has performed well in comparison to the venture capital universe. A more detailed universe comparison is provided on Page 5 of this report.

Universe Comparison Information
For the period ended June 30, 2005

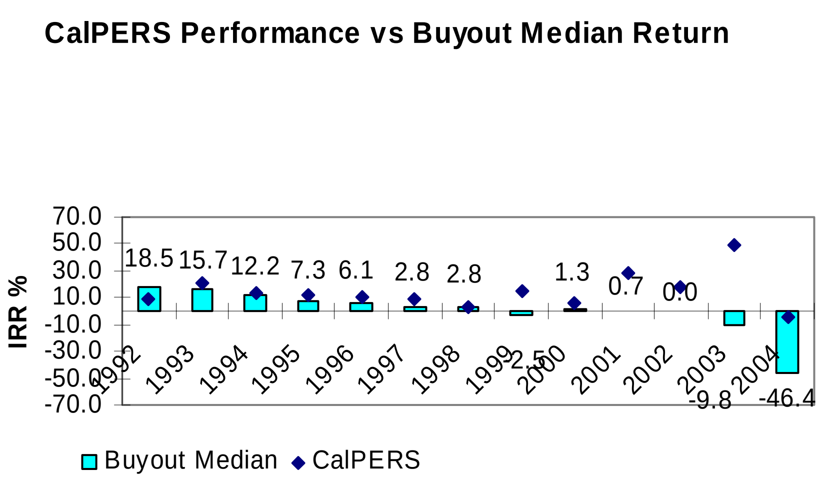
This section of the report will focus on the Program's performance versus a universe of its peers, provided by Venture Economics (VE)[6]. Specifically, there are three primary categories of alternative investments in which CalPERS invests. The categories are buyouts, mezzanine and venture capital.

Each investment category is presented in a separate chart below. The universe median is plotted for each vintage year. This represents the return that falls at the 50th percentile of the specific asset category universe. CalPERS' performance, for funds in the asset category, is also plotted by vintage year (e.g., all buyout funds that were initiated in 1996 are aggregated into a composite internal rate of return for that vintage year). These universe charts will not show a ranking for CalPERS for those vintage years during which CalPERS had no investments. The vintage year format of performance reporting is consistent with the requirements of the CFA Institute.

The public equity markets were mixed for the first six months of 2005. Investors are still anxious over inflation fears, the continuing war in Iraq and increasing oil prices after Hurricane Katrina. The economy growth was weaker than expected, and for the 2nd quarter monthly gains in non-farm payrolls were the weakest in the past 10 years. As the public markets returns were mixed there was a recent flurry of deals in the private equity markets, and the strongest fundraising period in history. When evaluating the performance of the young funds (1999-2004) below the historical returns may not be indicative of the investments' future potential as the J-Curve may have affected performance.

Exhibit III displays the VE Buyout Universe versus CalPERS' performance in this asset category. CalPERS' buyout funds outperformed the universe median across all vintage years, with the exception of 1992.

Exhibit III[7]



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[6] CalPERS has contracted with Venture Economics (VE), a database vendor, to obtain peer group comparison information. VE, in turn, provides this information to Wilshire. VE's buyout and venture capital databases are quite large and should provide a meaningful basis for comparison. The mezzanine database has much fewer data points and, therefore, is a less meaningful reference point.

[7] Source: Venture Economics. This universe contains 10-60 funds per vintage year.

Exhibit IV below shows the CalPERS mezzanine performance compared to the VE Mezzanine Universe. Mezzanine has been a relatively small area of investment in the Program. The Program's funds has generated mixed performance when compared to the universe median. The segment has outperformed in 1992, 1994, 1998, and 1999, while trailing in 1996, 1997, and 2001. There were insufficient funds in the Venture Ecomomics database to issue a median return for 2003.

Exhibit IV[8]

CalPERS Performance vs Mezzanine Median Return

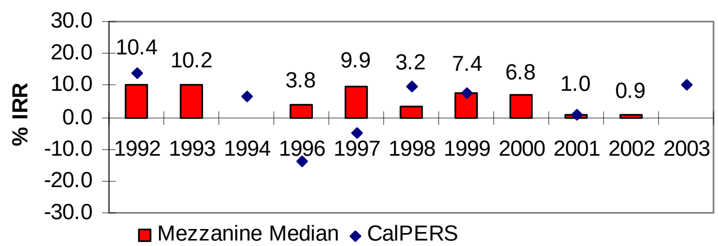
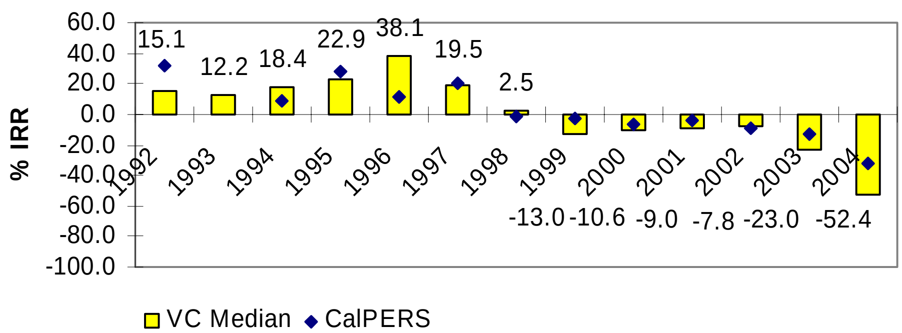


Exhibit V displays the VE Venture Capital Universe. The Program's performance in this segment has been mixed. CalPERS' venture capital funds have outperformed the universe median during most vintage years. Recently, losses for the 1999-2004 funds have decreased significantly as investments mature. Please note that these investments are still fairly young and their relative performance may not be indicative of future potential.

Exhibit V[9]

CalPERS Performance vs Venture Capital Median Return



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[8] Source: Venture Economics. The mezzanine median for 1994 and 2003 are not shown due to an insufficient universe size. CalPERS does not have mezzanine investments for 1993, 1995, 2000, and 2002.

[9] Source: Venture Economics. This universe contains an average of approximately 50 funds per vintage year.

Market Environment

Public Markets & Alternative Investments

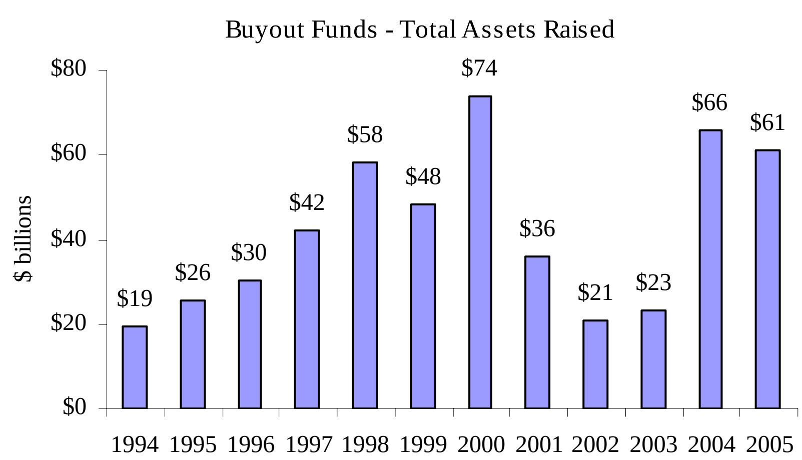
U.S. equity markets generated mixed returns for the first six months of 2005. The Dow Jones Wilshire 5000 Index and the S&P 500 Index returned 0.1% and -0.8%, respectively. Non-U.S. equity markets also reported losses for 2005 in base currency terms as the US dollar appreciated 10.9% and 7.5% against both the Euro and the Yen, respectively. Though the Federal Reserve continued its policy of raising the Federal Funds Rates, and General Motors Bonds was downgraded to below investment grade, the U.S. Bond markets showed positive returns as foreign investors bought U.S. dollar dominated issues. High yield bonds lagged investment grade issues as investors flocked to quality. Emerging Market Debt outpaced the U.S. Debt Markets as Russia and Mexico showed impressive and unanticipated positive fiscal policy results.

The private equity market environment continues to improve as evidenced by several large private equity deals as highlighted by SunGard Data Systems and Toys “R” Us, Inc. The increase in acquisition activity is due to a continuing growing number of institutional investors investing in private equity and the low interest rate environment which created a large pool of available funds. While the numbers below reaffirm a good period for private equity investments, one should note that there have been few IPO’s for venture capital backed companies and a possible tightening of financing sources may occur because of higher interest rates by the Fed or higher credit spreads due to defaults.

Buyout Funds

According to Venture Economics, buyout funds started 2005 with an impressive total of $61 billion and are on-track to top the $74 billion raised in 2000 (Exhibit VI).

Exhibit VI[10]



Investment activity within buyout funds has increased as debt capital continues to be available at low interest rates, and this has allowed buyout firms to tap into the market for leveraged buyout financing. In addition, buyout funds are flushed with cash, as they have found the environment to be tough to put money to work during the last few years. This was evidenced by the SunGard Data Systems purchase by a group of seven private equity investors. The deal that went over $11 billion was the largest leveraged buyout since 1989. In addition, exit strategies from cash distributions

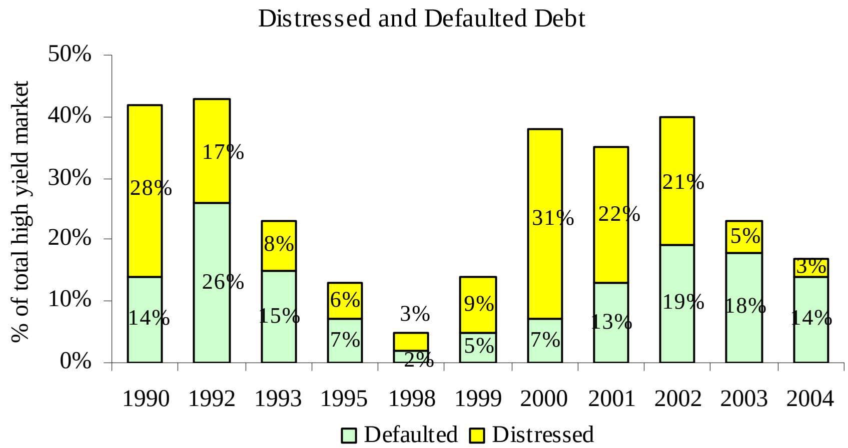
[10] Source: Venture Economics.

continued to be on the up tick in 2005. However, deals are occurring with aggressive financing that are causing debt multiples to average 5 times cash flow and to move acquisition multiples to 8 times cash flow.

Distressed and Mezzanine Debt

The high yield market showed positive results in 2005 benefiting from the improved corporate profits in the pharmaceuticals and wireless markets. Exhibit VII below shows the percentage of distressed and defaulted debt within the overall high yield market. From 1993 to 1999, defaults in the high yield market had been rather benign, but corporate scandals and bankruptcies pushed those numbers up quickly in 2000-2002. The last time the high yield bond market traded in a similar pattern was during the 1990-1992 period. In 1990, roughly 28% of the high yield market traded at distressed levels[11], and 14% of the market consisted of defaulted bonds. Since 2003, the levels of defaulted and distressed debt have decreased. At the end of 2004, the levels stood at 3% and 14%, respectively, dramatically lower than the figures reported for 2000-2002. According to the Altman Index, a leading indicator of trends within the high yield market, the default risk for high yield bonds in 2005 will most likely remain similar to the low level in 2004, due to low interest rates and economic growth.[12]

Exhibit VII[13]

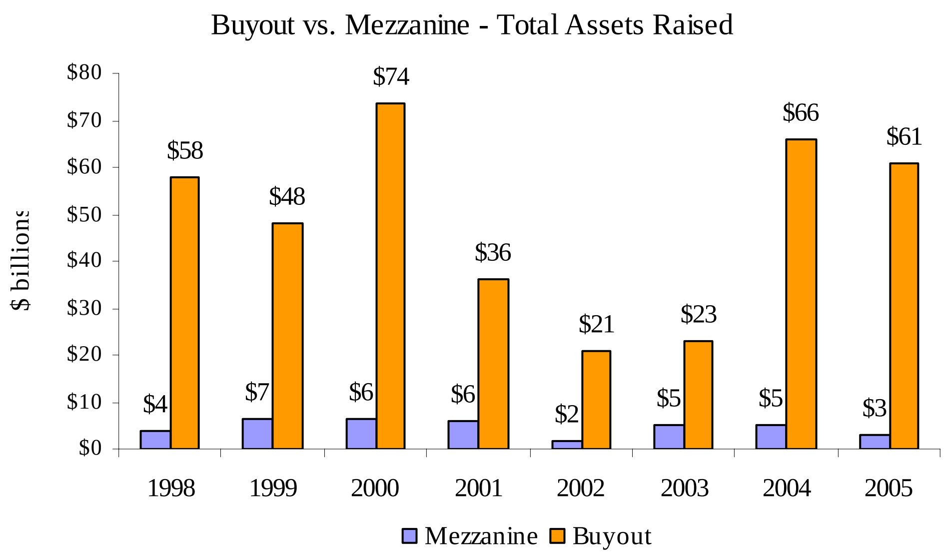


Mezzanine fundraising has historically been approximately 10% of the capital raised by buyout funds (Exhibit VIII), but in 2005 the percentage dipped to around 6%. Part of the reason is buyout deals occurred where multiple companies pooled their financial resources to purchase a company, and mezzanine debt is a less popular borrowing vehicle. Mezzanine debt is a subordinated position and the equity warrants attached make these securities an expensive form of debt. During most of the 1990s, the high availability of high yield bond financing significantly reduced the importance of the mezzanine market. However, mezzanine debt has become more popular since the late 1990s for two reasons. First, many commercial banks tightened their lending standards given the extraordinarily high level of corporate defaults after the burst of the technology bubble, followed by accounting scandals that rocked the financial markets. Second, the high yield market has become more difficult to access, as the minimum threshold for new high yield offering has increased to above $150 million from $100 million. Many small to medium-sized companies

[11] Exhibiting a yield spread of greater than 10% versus comparable maturity Treasury bonds.
[12] Source: Commonfund Capital, Inc.
[13] Source: NYU Salomon Center and Citigroup.

resorted to mezzanine debt to finance acquisitions, capital expenditures, or recapitalizations but it appears that is changing. These companies cannot utilize the high yield market to raise money due to the aforementioned issuance threshold. However, this means that mezzanine financing is usually confined to the middle-market. Mezzanine deals in the U.S. seldom exceed $50 million.

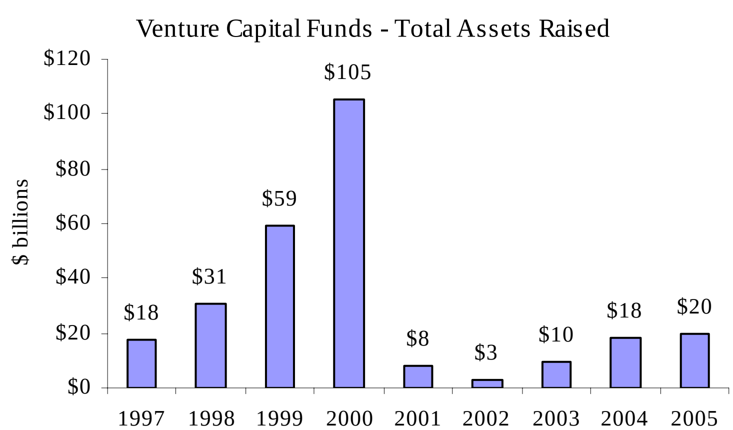
Exhibit VIII[14]



Venture Capital

Venture capital fundraising has steadily increased during the last two years. In the first six months of 2005 venture capital firms raised approximately $20 billion (Exhibit IX).

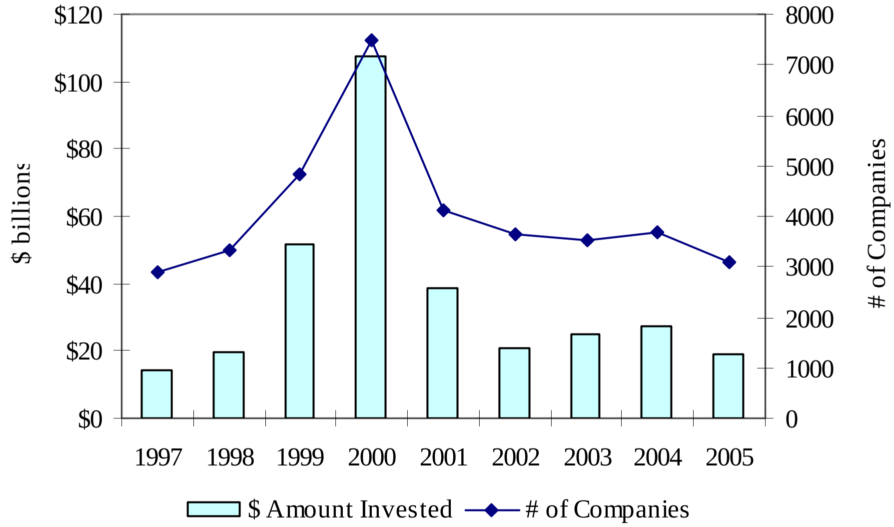
Exhibit IX[15]



[14] Source: Venture Economics.
[15] Source: Venture Economics.

Exhibit X[16]

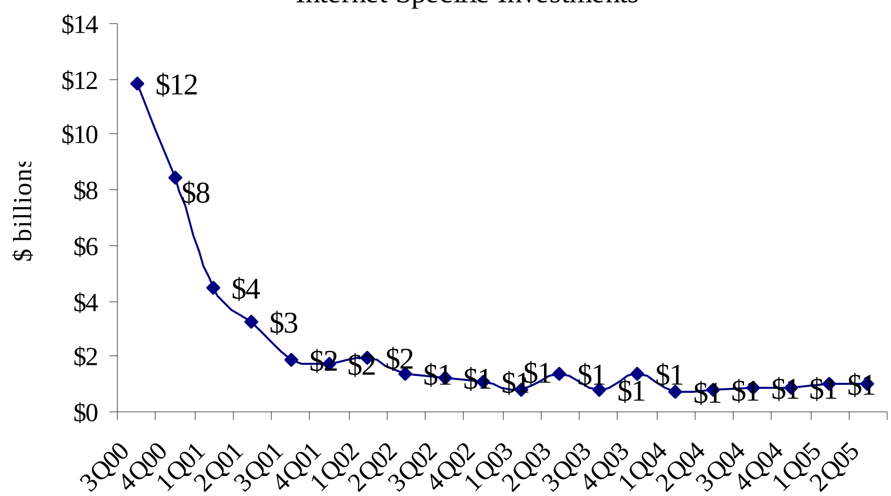
Venture Capital Funds



The pace of investing within the venture capital markets in 2005 continues to increase (Exhibit X). Venture Capital saw commitments outpace investments dollars because of exit strategies continuing to become increasing available and venture capital fund raising and investing have followed suit. The investment environment is much improved when compared to the early 2000, when liquidity in the public markets was weak and the economy was mired in a minor recession. The improvement can be seen by late stage funding reaching a four-year high, and investments in Start-up and Early Stage Companies are at a three-year high.[17] Internet-specific investments have decreased dramatically since 2000, but the decline has stabilized over the past several years (Exhibit XI).

Exhibit XI[18]

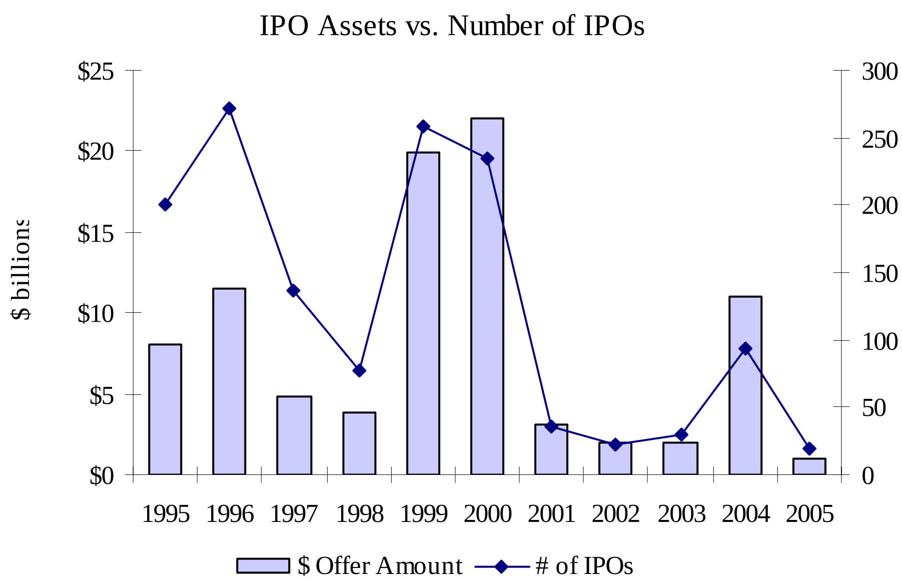
Internet Specific Investments



[16] Source: Venture Economics.
[17] Source: The Money Tree Survey by Pricewaterhouse Coopers
[18] Source: Venture Economics.

Initial Public Offering ("IPO") activity within the venture capital market after jumping significantly to 93 in 2004 only had 20 in 2005 (Exhibit XII). Total IPO assets also decreased to $1 billion in 2005, but IPO activity has already increased during the 3rd quarter, and in 2004 Google, Inc. accounted for the largest IPO in recent years. The majority of 2005 IPO's were from the Life Sciences sector with LHC Group LLC, which raised $67.2 million. One of the largest IPO's was China Techfaith Wireless which raised $141.8 million.

Exhibit XII[19]



European Investing

European markets also saw an increase in private equity fund raising activity during 2005, with a total of $32 billion raised with the majority of the funds going to U.K. (Exhibit XIII). The U.K. led all countries in terms of investments, with France coming in second during 2005 (Exhibit XIV). The U.K. was the first non-U.S. private equity market to emerge and has matured substantially since. Germany and France have gained momentum as buyouts have become more prevalent within the European region, fueled by interest from U.S. investors. In addition, the strength of the Euro has provided European private equity investors increased confidence and has given investors the opportunity to focus on their businesses rather than on currency risk. Europe continues to be regarded as an untapped resource and is anticipated to garner increased activity, particularly within the buyout sector.

[19] Source: Venture Economics.

Exhibit XIII[20]

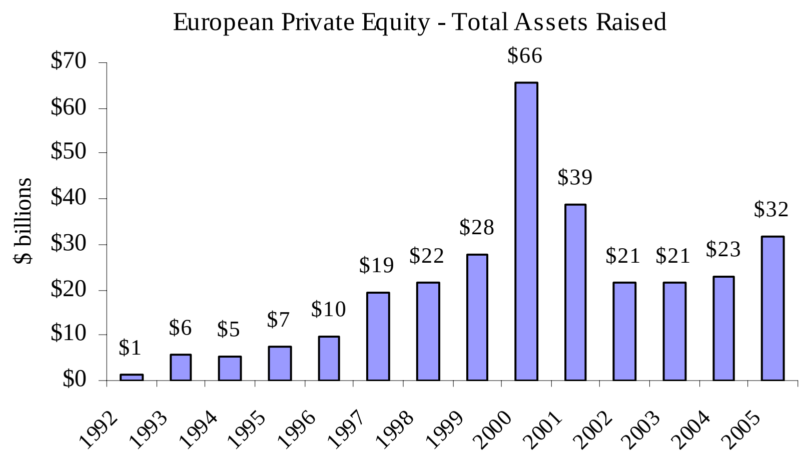
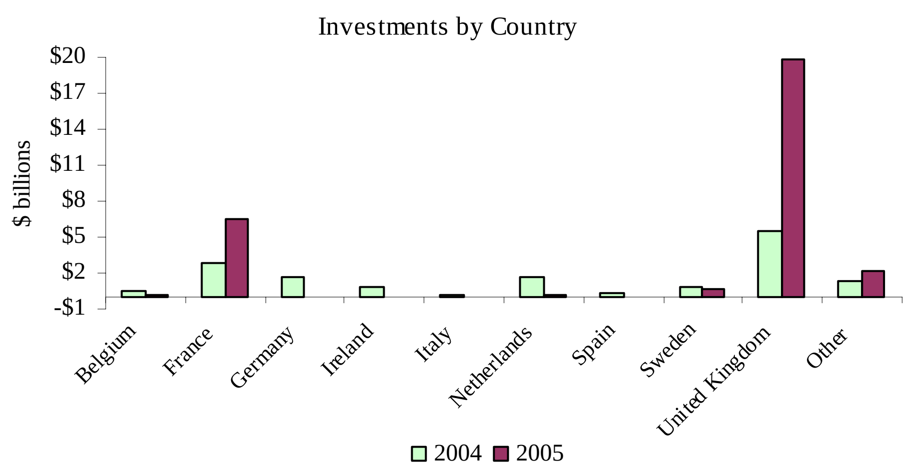


Exhibit XIV[21]
Through June 30th, 2005



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[20] Source: Venture Economics.
[21] Source: Venture Economics.

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November 14, 2005

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Internally Managed Domestic Fixed Income (Quarter Ended September 30, 2005)

II. PROGRAM: Domestic Fixed Income

III. RECOMMENDATION: Information Only

IV. ANALYSIS:

Attached is a report that reviews compliance of the internally managed domestic fixed income portfolio to approved policy guidelines for the quarter ended September 30, 2005.

The Investment Committee approved the “Statement of Internally Managed Dollar Denominated Fixed Income Policy, Guidelines and Procedures” at its May 13, 1996 meeting. As recommended by the Investment Policy Subcommittee, these guidelines require at least quarterly reporting on relative duration, sector weightings, and violations of the policy.

Section I of the report graphically displays interest rate risk of the portfolio by comparing its duration relative to that of its benchmark, the Lehman Long Liability Index (LLL). Duration is a measure of price sensitivity to interest rate changes. It is the percentage change in price given a 100 basis point (1 Percent) move in interest rates. As indicated in the graph, the portfolio is well within the guideline of ± 20% of the Lehman Long Liability on an option adjusted basis.

Section II of the report depicts the sector risk of the portfolio. Sector risk is the risk of holding proportions of asset class sectors that differ from proportions in the benchmark index, the Lehman Long Liability. The table lists the permissible range for weightings in each sector, and sector weightings of the Lehman Long Liability and this portfolio. The portfolio is within approved guidelines.

Section III of the report describes violations of the overall policy and guidelines, including investing only in permissible securities and compliance with specified restrictions. There were no violations of policy or guidelines.

V. STRATEGIC PLAN:

This item supports Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

The market value of the internally managed domestic fixed income portfolio as of September 30, 2005 was $43.0 billion. This agenda item provides a review of portfolio compliance to its guidelines.

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Curtis D. Ishii
Senior Investment Officer

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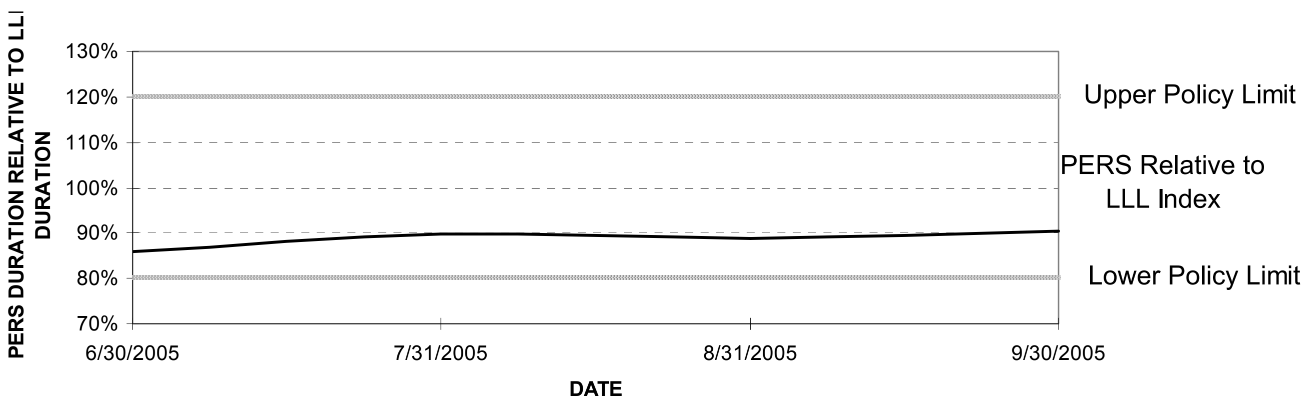
Mark Anson
Chief Investment Officer

QUARTERLY REVIEW OF THE DOMESTIC FIXED INCOME PORTFOLIO ENDING September 30, 2005

I. Interest Rate Risk



II. Sector Risk

SECTOR	PERS PERMISSIBLE RANGE	LEHMAN LONG LIABILITY	12/31/2004 PERS	3/31/2005 PERS	6/30/2005 PERS	9/30/2005 PERS
Government	**0-50**	**40**	**32**	**36**	**36**	**34**
Mortgages	**10-60**	**30**	**30**	**31**	**34**	**34**
Sovereigns	**0-15**	**3**	**2**	**2**	**2**	**2**
Investment Grade Corporates	**10-60**	**24**	**30**	**25**	**25**	**25**
Opportunistic[1]	**0-10**	**3**	**6**	**6**	**3**	**5**

[1] *High Yield*

III. Violations to Policy: None

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November 14, 2005

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Internally Managed Short-Term Fund (Quarter Ended September 30, 2005)

II. PROGRAM: Domestic Short-Term

III. RECOMMENDATION: Information Only

IV. ANALYSIS:

Attached is a report that reviews compliance of the internally managed short-term fund to approved policy guidelines for the quarter ended September 30, 2005.

The Investment Committee approved the "California Public Employees' Retirement System's Statement Of Internally Managed Dollar Denominated Short-Term Fund Investment Policy, Guidelines and Procedures" (Policy) at its November 18, 1996 meeting. These guidelines require at least quarterly reporting of weighted-average days to maturity, portfolio allocation by asset class and credit quality, and an exceptions report that covers policy violations.

Section I measures the short-term fund's interest rate exposure using weighted-average days to maturity.

Section II lists the portfolio's allocation by asset class and credit quality as of quarter end. The table also lists other positions of the fund relative to policy restrictions. The portfolio is within approved guidelines.

Section III describes violations of the Policy that occurred during the quarter, including investing only in permissible securities and compliance with specified restrictions. There were no violations during the quarter ended September 30, 2005.

V. STRATEGIC PLAN:

This item supports Goal VIII, Objective 4, Strategy C by providing a monitoring system that periodically updates risk management review and findings for the asset class.

VI. RESULTS/COSTS:

The market value of the short-term portfolio as of September 30, 2005 was $1.08 billion. This agenda item reviews the portfolio's compliance to its guidelines.

Prepared by:

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QUARTER REVIEW OF THE DOMESTIC
SHORT-TERM FUND ENDING September 30, 2005

I. Interest Rate Risk

The weighted-average days to maturity of the Short-Term Fund was 3.7 days.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

Asset Type	Policy Limits	Portfolio Holdings
State Street Bank STIF	100%	94.1
U.S. Treasury and Agencies	100	0.0
Repurchase Agreements	20	0.0
Corporate Securities	100	0.5
Asset-Backed Securities	25	5.4
Total Short-Term Fund		100.0%
Credit Quality		
Securities rated A1/P1 or higher	100%	99.5
Total Split Rated and A2/P2	30	0.5
Total Short-Term Fund		100.0%
Other Restriction		
Total Floating Rate Exposure	50%	0.0%

III. Violations To Policy

There were no policy violations this quarter:

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November 14, 2005

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Internally Managed Short Duration Fund (Quarter Ended September 30, 2005)

II. PROGRAM: Domestic Fixed Income

III. RECOMMENDATION: Information Only

IV. ANALYSIS:

Attached is a report that reviews compliance of the internally managed Short Duration Fund to approved policy guidelines for the quarter ended September 30, 2005.

The Investment Committee approved the "California Public Employees' Retirement System Statement Of Investment Policy For Dollar-Denominated Fixed Income Short-Duration Investment Policy" (Policy) at its August 18, 2003 meeting. These guidelines require at least quarterly reporting of portfolio duration, sector weightings, fixed and floating rate breakout, security rating scales, and an exceptions report that covers policy violations.

Section I measures the short-term fund's interest rate exposure using portfolio duration.

Section II lists the portfolio's allocation by asset class and credit quality as of quarter end. The table also lists other positions of the fund relative to policy restrictions. The portfolio is within approved guidelines.

Section III describes violations of the Policy that occurred during the quarter, including investing only in permissible securities and compliance with specified restrictions. There were violations during the second quarter of 2005 due to the problems associated with ramping up a new portfolio (the first purchase means the portfolio is 100% concentrated in that security). During the ramp-up period, staff has assumed for compliance calculation purposes that the portfolio size is $1 billion. This portfolio is expected to grow to more than $8 billion.

V. STRATEGIC PLAN:

This item supports Goal VIII, Objective 4, Strategy C by providing a monitoring system that periodically updates risk management review and findings for the asset class.

VI. RESULTS/COSTS:

The market value of the Short Duration Fund portfolio as of September 30, 2005 was $820 million. This agenda item reviews the portfolio's compliance to its guidelines.

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QUARTER REVIEW OF THE INTERNALLY MANAGED
SHORT DURATION FUND ENDING September 30, 2005

I. Interest Rate Risk

The portfolio duration of the Short Duration Fund was 0.08.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

Asset Type	Policy Limits	Portfolio Holdings*
State Street Bank STIF	100%	0.20
AAA Floating Rate ABS	100	41.87
Non AAA Floating Rate ABS	50	5.00
AAA Fixed Rate ABS	20	8.30
Non AAA Fixed Rate ABS	20	0.00
Total CMBS	25	15.84
Bridge Loans	100	1.16
Money Market Securities (>= A1/P1)	100	6.40
Money Market Securities (< A1/P1)	15	2.00
Total Corporate Securities	50	1.20
Credit Quality		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	73.78
Total Split Rated and A2/P2 (ST) or non-AAA (LT)	50	8.20
Other Restriction		
Total Fixed Rate Exposure (> 35 day maturity	20%	8.30

*Based on $1 Billion portfolio, thus will not add to 100%

III. Violations To Policy

The following policy violations occurred this quarter:

Certain individual security holdings violated the maximum percentage policy limits because of the initial funding of this portfolio in November 2003. It's not possible to efficiently start a new portfolio without exceeding individual security limits while the portfolio grows and reaches critical mass. As this portfolio ramps up to its expected portfolio size of $8 billion, the individual holdings diversification will come into compliance. During the ramp-up period, it has been assumed for compliance calculation purposes that the portfolio size is $1 billion.

Based on a $1 billion portfolio there were two minor violations due to market value appreciation of two SLMA positions that equal 2% in par value but equal 2.12% and 2.14% on a market value basis.

SLMA 1997-2 CTFS	(A2/A+/AA+ rated Student Loan ABS)	2.02% holding
SLMA 1997-4 CTFS	(A2/A+/AA+ rated Student Loan ABS)	2.04% holding

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November 14, 2005

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: Internally Managed High Quality LIBOR Fund (Quarter Ended September 30, 2005)

II. PROGRAM: Domestic Fixed Income

III. RECOMMENDATION: Information Only

IV. ANALYSIS:

Attached is a report that reviews compliance of the internally managed High Quality LIBOR fund to approved policy guidelines for the quarter ended September 30, 2005.

The Investment Committee approved the "California Public Employees' Retirement System Statement Of Investment Policy For Dollar-Denominated Fixed Income Short-Duration Investment Policy" (Policy) at its August 18, 2003 meeting. These guidelines require at least quarterly reporting of portfolio duration, sector weightings, fixed and floating rate breakout, security rating scales, and an exceptions report that covers policy violations.

Section I measures the short-term fund's interest rate exposure using portfolio duration.

Section II lists the portfolio's allocation by asset class and credit quality as of quarter end. The table also lists other positions of the fund relative to policy restrictions. The portfolio is within approved guidelines.

Section III describes violations of the Policy that occurred during the quarter, including investing only in permissible securities and compliance with specified restrictions. There were no violations during the quarter ended September 30, 2005.

V. STRATEGIC PLAN:

This item supports Goal VIII, Objective 4, Strategy C by providing a monitoring system that periodically updates risk management review and findings for the asset class.

VI. RESULTS/COSTS:

The market value of the High Quality LIBOR portfolio as of September 30, 2005 was $5.2 billion. This agenda item reviews the portfolio's compliance to its guidelines.

Prepared by:

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QUARTER REVIEW OF THE INTERNALLY MANAGED
HIGH QUALITY LIBOR FUND ENDING September 30, 2005

I. Interest Rate Risk

The portfolio duration of the High Quality LIBOR Fund was 0.07.

II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

Asset Type	Policy Limits	Portfolio Holdings
State Street Bank STIF	100%	1.22
AAA Floating Rate ABS	100	90.50
AAA Fixed Rate ABS	20	0.00
AAA CMBS	15	0.00
Money Market Securities (>= A1/P1)	100	6.11
Money Market Securities (< A1/P1)	10	2.18
High Quality Libor Fund		100.0%

Credit Quality		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	97.82
Total Split Rated and A2/P2 money market securities (> 1 day maturity)	10	2.18
High Quality Libor Fund		100.0%

Other Restriction		
Total Fixed Rate Exposure (> 35 day maturity)	20%	0.00%

III. Violations To Policy

There were no policy violations this quarter.